

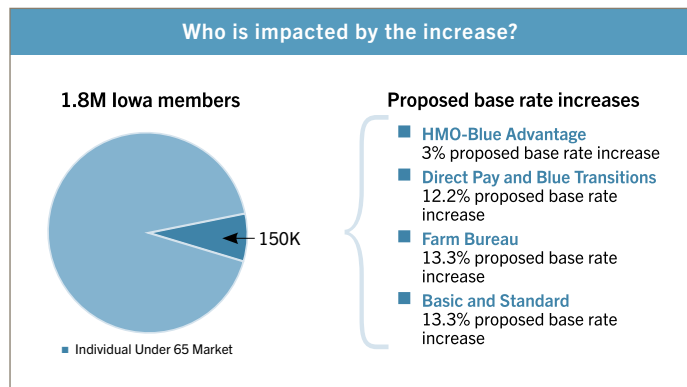
Proposed Base Rate Increase for the Individual Under 65 Market

The price of everything from clothing to groceries continues to rise. At Wellmark, we understand the last thing Iowa families want is to pay more for health insurance. Establishing and delivering rate increases to our customers is not a process we take lightly. As an Iowa-based company, owned by our members and employing more than 1,700 Iowans, we genuinely care about our members who are, in many cases, our friends and family.

Our mission has been, and continues to be, working to improve the quality of health care in Iowa, collaborating with the provider community to remove waste from the system and delivering greater value. We also strive to create environments for citizens to live healthier lives, which should collectively result in reducing the rate of increase in health care costs and resulting premium increases. In order for us to continue with that mission, it's important to understand the reasons behind the increase for our members this year.

The 2013 proposed base rate increase affects approximately 150,000 of our more than 1.8 million Iowa members, and the average base rate increase requested varies by product.

Employer-based health coverage is not affected by this proposed increase. Some of our plans, including Medicare Supplement plans, will receive a zero percent base rate increase.



Source: Wellmark, Inc. claims incurred 4/1/2011-3/31/2012

Why is Wellmark asking for a base rate increase?

As a health insurer, Wellmark plays a pivotal role in the financing of and accessibility to safe and effective health care. We work diligently to:

- create products that meet the needs of individuals and families
- maintain a high-quality network of physicians, hospitals, and other health care professionals
- negotiate fair and market-based rates for health care services available to our members
- ensure that care delivered to our members is safe and appropriate
- investigate fraud and abuse in the system
- support our members when they need to navigate the health care system
- provide wellness solutions to keep our members healthy
- reimburse physicians and hospitals timely for the care they deliver to our members

We do all of this on behalf of our members using only 7.5 cents of every premium dollar to run our company — among the lowest costs in the country of any health insurer.

The biggest reasons for the increase in costs are a result of:

- **INCREASE IN SIZE OF LARGE CLAIMS** The number of doctor visits, drugs taken or tests administered continues to rise.

 - The number of members with very large claims (over \$100,000) increased and was associated with serious conditions such as heart failure, septicemia and meningitis.
 - Wells Fargo Arena seats more than 16,000 people. It takes 18,000 of our members — 2,000 more than the number of people to fill Wells Fargo Arena, to cover the cost of care for 279 of our members with serious health conditions.
- **INCREASE IN OUT-OF-STATE CARE** The price of doctor visits, drugs and tests tends to increase over time but at a faster rate when seeking care outside of Iowa.

 - Nearly \$45 million was paid for approximately 12,000 visits to out-of-state offices and clinics.
 - A majority of these services cost, on average, two times more than if delivered by an Iowa-based physician or hospital.
 - The number of visits and total claims paid to out-of-state providers increased by 8 percent and 6 percent, respectively, over the previous year.
- **INCREASE IN THE PREVALENCE OF MUSCULOSKELETAL CLAIMS** Sedentary lifestyles and carrying around excess weight contributes to the increase in health care costs.

 - The number of members, visits and total dollars paid increased over the previous period indicating more people are facing health care challenges related to their backs and joints.
 - Additionally, Wellmark members use chiropractic services two times more often than members of competing plans in Iowa. *Source: Milliman 2011 State plan average*
- **INCREASE IN THE USE OF EXPENSIVE DRUGS** More and more expensive drugs have entered the market to treat serious health conditions. The number of claims paid for prescription medications increased 10 percent including expensive cancer drugs and cholesterol lowering agents.

 - Drugs to reduce cholesterol accounted for six percent (\$2 million) of the claims paid for pharmacy.
 - The number of people using these cholesterol-reducing drugs increased 13 percent and the amount of claims paid increased 16 percent.

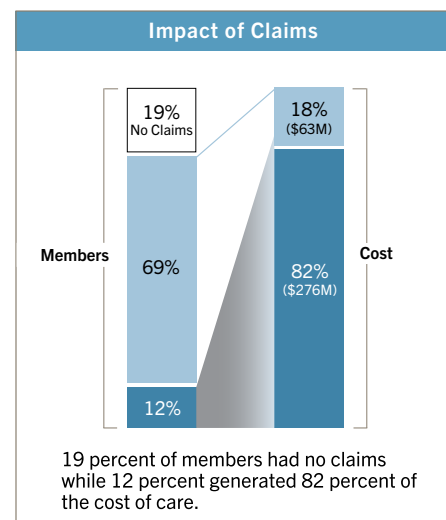


Source: Wellmark, Inc. claims incurred 4/1/2011-3/31/2012

Understanding insurance

The basic concept behind health insurance is a community approach to cost sharing. Purchasers of insurance combine their premium dollars with other purchasers. This allows the insurance company to pool funds together to pay for the costs of medical services for all purchasers in the pool. When an individual uses health services, the insurance coverage pays for those services rather than the individual.

While the cost of insurance seems expensive to those who do not use health care services, the pooling of funds is a tremendous advantage when customers have a significant health expense. Insurance was created because no individual or family can typically bear the financial costs of expensive medical treatments which could easily exceed hundreds of thousands of dollars. When setting rates for the upcoming year, we evaluated how much health care was used by everyone in the pool in the past year and predicted how much will be used in the next year. That way, we can ensure money is available for those who will need it.



Source: Wellmark, Inc. claims incurred 4/1/2011-3/31/2012

What is Wellmark doing about it?

We recognize that buying health insurance has become a financial hardship for many of our customers today whether they are a small business owner, a Fortune 500 company, or an individual.

How can we slow health care and health insurance cost increases for our customers? We cannot do it alone. This is the challenge we're addressing through our sustainable health care strategy which requires collaborating across the state to enable the improvement of the delivery of quality health care ("inside the health care system") and improving the lifestyles of Iowans to help people live longer, healthier lives ("outside the system").

Continuous improvement and innovation have led us to the following transformations:

- **PROVIDER PAYMENT MODELS** — We are actively transforming provider payment models to shift the focus from volume-driven fee-for-service to value-driven accountable care and quality partnerships.
- **CARE MANAGEMENT** — Clinical staff work with our members and their caregivers to provide support and guidance when catastrophic illnesses strike or when members are faced with chronic conditions and ongoing care.
- **WELLNESS PROGRAMS** — We work strategically with employers to deliver wellness programs, because staying healthy is important.
- **IMPROVING THE HEALTH OF IOWANS** — We have recognized the importance of changing the underlying health status of Iowans and have brought the Blue Zones Project™ to Iowa. This project seeks to help communities transform so that people live longer by adopting the lifestyle habits of the world's longest living people. The Blue Zones® principles emphasize making changes to your environment that make the healthy choice – the easy choice. To learn more about the Blue Zones Project™ visit BlueZonesProject.com.
- **OUR PASSION** — We work both inside and outside the health care system to improve quality, reduce waste and create healthier lives.

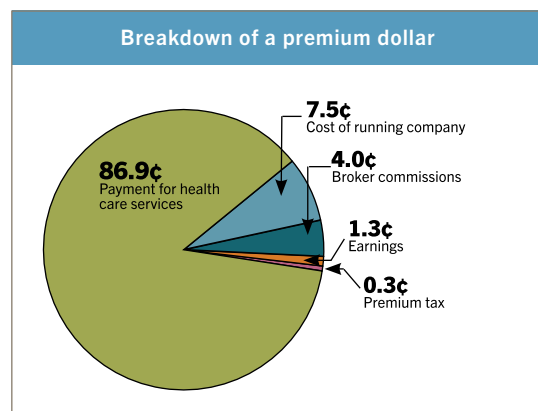
Change is coming

In 2014, changes in plan design will be implemented in accordance with the Patient Protection and Affordable Care Act (ACA). The current proposed base rate increase, once approved, will be effective April 1, 2013, through Dec. 31, 2013. Due to the ACA's new rating requirements, the next rate cycle will have an effective date of Jan. 1, 2014.

Stewardship of premium dollars

Wellmark is one of the most administratively efficient companies in the health insurance industry. This is a reflection of our careful management of the dollars required to run our business. From 2009-2011, for all fully insured business, Wellmark spent nearly 87 cents of each premium dollar to pay doctors, hospitals and pharmacies for the care members received.

Wellmark exceeded the minimum Affordable Care Act (ACA) requirement of having to spend 80 cents of each premium dollar in the Individual Under 65 market on medical claims.



Source: Wellmark, Inc. 2009-2011 Fully Insured Business

For more information visit Wellmark.com/rates or contact Courtney Greene at 515-376-4870 or greenecm@wellmark.com.